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Inflation of prices or deflation of labor?

Arnold Petersen

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THE TRUTH ABOUT INFLATION

INFLATION OF PRICES *OR* DEFLATION OF LABOR ?

BY ARNOLD PETERSEN

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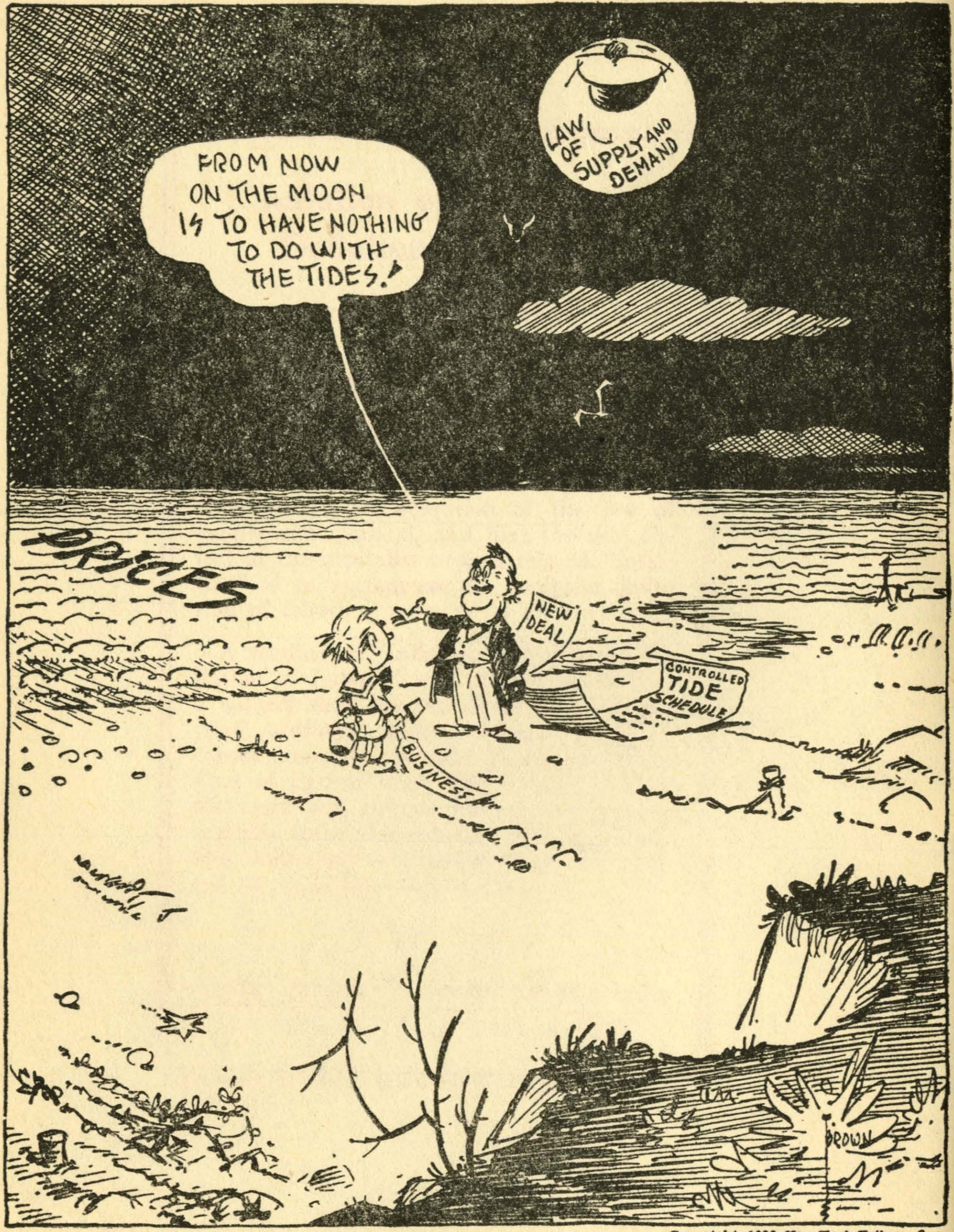

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Inflation of Prices

or

Deflation of Labor?

By

Arnold Petersen

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"As soon as we form distinct ideas of values, we see that high or low wages can have nothing to do with them.... General low wages do not cause low prices, nor high wages high prices.... There is no mode in which capitalists can compensate themselves for a high cost of labor, through any action on values or prices. *It cannot be prevented from taking its effect in low profits.* If the laborer really gets more, that is, gets the produce of more labor [i.e., higher wages], *a smaller percentage must remain for profit.*"—JOHN STUART MILL.

I.

One of the sacred cows of capitalists, and of the spokesmen for capitalist interests, is the law of supply and demand. Not that there is anything phony about this law—it is real enough, as may be observed from its effect in its legitimate field. The trouble with this (to capitalists) otherwise sacred law of supply and demand is that it is often held responsible for conditions and effects with which it has nothing to do. It may seem strange, therefore, to note the ill favor into which the term apparently has fallen recently, and in marked contrast to its being so overworked heretofore. But perhaps a reason may be found for this.

Apologists for capitalists and the capitalist system invariably practise deception when defending their system, or when they want to put through a scheme which is either obviously anti-labor (or anti-social), or which they fear may offend generally in its natural raw form, or under its correct, but ill-sounding designation. This practice is also sometimes referred to as employing euphemisms. For instance, when military conscription was urged upon Congress two years ago, its proponents carefully avoided the use of the word "conscription." "Conscription" was the correct and proper term, but it too strongly suggested the things and governmental systems rightly detested by liberty-loving Americans, and so it was sprinkled with perfume and called "selective service." Yet, conscription it was and is. "Capitalist," "the capitalist class" and "capitalism" have unpleasant connotations, suggesting what they really are (exploiters of labor and working class wage slavery), and so on the tongues and pens of wily capitalist apologists these terms become, respectively, "entrepreneur," "management" and "the system of free enterprise"* And, in the same way, and for the same reasons, latterly the good old law of supply and demand becomes dignified by having the exalted term "inflation" bestowed upon it!

Suddenly, almost overnight, the word "inflation" has become the most frequently used (and abused) term, and the phenomenon which it supposedly represents has assumed an importance which almost, if not entirely so, has put the war itself in second place. Two or three months ago it was hardly ever used, except by the top-ranking capitalist pundits (such as Walter Lippmann and his ilk) who move in the rarefied atmosphere

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*Outspoken defenders of capitalism, such as William Hard, spurn the use of euphemisms. In *The Reader's Digest* for June, 1942, he wrote: "They [capitalists] seem to think that we are operating a system called 'managementism.' We are in fact operating a system called 'capitalism.' I am not afraid of the word. I do not seek the subterfuge of calling it the 'free enterprise system.' I am in favor of capitalism, and I call it capitalism...." But neither euphemisms nor candor can make of the present social system other than an organized and legalized robbery perpetrated upon the vast majority by the few.

of capitalist abstractions and "high policy."* And, despite the fact that "inflation" has a perfectly well-established meaning, it is now being invoked to cover what is nothing more than the logical working out of the law of supply and demand to which inflation bears at best a very distant relationship. One capitalist commentator, referring recently to "price rises and inflation," observed that it makes no difference which you call it because the effect is the same! That is plainly nonsensical, for, since we have had periodic price rises, each one of these would then have represented inflation. So to argue would, as said, be foolish, and would be robbing the term "inflation" of its real meaning. A rise in prices, resulting from the logical operation of the law of supply and demand, is no more inflation than an electric spark is a storm of thunder and lightning.

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*Mr. Lippmann's column, printed in the New York *Herald Tribune* of October 31, 1940 (and also that of January 11, 1941), may well have furnished the inspiration for the current falsehoods and sophistries anent inflation allegedly being caused by high wages, etc. Mr. Lippmann then said:

"It is plain that if labor started to spend all this money [extra pay for "time-and-a-half or double-time"], the time would soon come when the greatly increased demand for consumers' goods would cause the cost of living to rise....Labor, and everyone who has a bank account....or a fixed income of any kind would be caught in a *vicious spiral of inflation.*" (Italics mine.)

Note the early date. This was more than a year before the United States entered the war. This indicates clearly that, war or peace the workers are never to be allowed to earn above a certain amount, lest the "inflation gobbleuns" get us, and wreck capitalist society!

2.

Let us briefly investigate this phenomenon, "inflation"—let us see if we can define it, and place it in its proper perspective and relation to supply and demand, prices, wages and so forth.

Originally inflation was the result of a deliberate debasing of the currency. Rulers in the past indulged in this nefarious practice in order to replenish their depleted treasuries. Henry VIII was a notorious offender in this respect. Debasing the "coin of the realm" means, of course, that a base metal is substituted for the precious metal (gold or silver) to a degree that makes the stamped denomination meaningless and the coin itself next to worthless. If an ounce of gold is priced at $35, and, assuming this amount to represent its value (the amount of necessary labor time required to produce it), then that ounce of gold will purchase a suit of clothes priced at $35, the assumption being, of course, that it required the same socially necessary labor time to produce the suit of clothes that it took to produce the ounce of gold. In such a transaction there would be a "fair exchange" of value for value. But, suppose the coin represented in the ounce of gold is melted down and an alloy (say, lead) is added to the melted mass in a proportion of nine parts lead to one part gold, and that the compound is recoined into ten pieces, each bearing again the denominational designation "$35." There would then be a nominal total currency of $350, with only an actual total value of $35 represented by the ounce of gold plus the insignificant amount represented by the lead. Yet, the currency says that it can purchase $350 worth.

But no law, no fiat, can (in the long run) cause values to exchange other than equally. Assuming that the value of the suit remained unchanged, it would still require one ounce of gold to purchase it. But that ounce of gold is now nominally expressed in a price of $350. For the time being at least, that will then be the price—or, in everyday parlance, the suit of clothes will now cost $350. This is inflation—we might call it primitive inflation. In the given premises it means that those holding for the nonce the power of debasing the coin enrich themselves to the extent of $315 on each exchange of the commodities, gold (plus lead) and suit of clothes. The effect on the rest (and on society generally) is, of course, disastrous. Thorold Rogers, in his monumental work, "Six Centuries of Work and Wages," describing the criminal act of Henry VIII in debasing the currency, observed:

"The issue of base money is rapidly and irremediably mischievous. It affects all, except those who are quick at measuring the exact extent of the fraud, and, by turning the base coin into an article of traffic, can trade on the knowledge and skill which they possess. To the poor, and, indeed, to all who live by wages and fixed salaries, it is speedily ruinous. The effect of Henry's and Edward's [Edward VI] base money, though it lasted only sixteen years, was potent enough to dominate in the history of labor and wages from the sixteenth century to the present time. . . ."

And continuing his account of this debasement of the currency (the effect of which he correctly refers to as "the general inflation of prices which I have pointed out as taking place in the forty years which followed Henry's base money"), Thorold Rogers made this rather illuminating comment:

"Had the offense of issuing base money not been committed, and had prices risen through the distribution of the precious metals over the civilized world the condition of the laborers would have still been impaired, *for when prices are raised without there being any increased demand for labor, wages very slowly follow the rise.*"* (Italics mine.)

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*Among the subtler ways of debasing the currency is what has been designated "revaluation of the dollar." The Roosevelt Administration resorted to this practice in 1934 when the dollar was "revalued" at 59.06 per cent of its former parity. In recommending that Congess fix the upper limit of "permissible evaluation" of the gold dollar at 60 per cent, Mr. Roosevelt said: "Our national currency must be maintained as a sound currency. . . ."! Technically, this is not considered debasing the currency, but the effect obviously is the same. The reduced gold content in the dollar eventually resulted in a decline in the value of the dollar on the exchanges, and was bound to express itself ultimately in a higher price level, unless offset by a corresponding decrease in the value of commodities generally. In any case, the "revaluation of the dollar" was a deliberate inflationary act.

3.

Since the advent of modern capitalism, other, and more subtle, ways of causing inflation have been "invented." It is not possible, within the present space limitations, to deal with these in detail. The most common and direct method is the printing of paper money in excess of the gold supply available to support the printed pieces of paper which, in themselves, of course, have no intrinsic value. If we suppose that double the amount of paper money is printed than is supportable by the gold supply, prices would soar, though not immediately, and not necessarily in direct proportion to the inflated currency. Eventually, however, if the printing presses continued turning out paper money, thus increasing the inflation and accelerating its pace, prices would reach fantastic heights, and if this continued indefinitely, paper currency in astronomical denominations would make its appearance. That this is no mere theory, nor guess work, was proved in Germany immediately after the war.

Currency denominations were given in billions of marks, a pound of butter, for example, costing a million marks, and at times even more. German postage stamps appeared in denominations as high as 50 milliard (billion) marks. And so on. It was during this period, incidentally, that the Hugo Stinneses and Fritz Thyssens made their phenomenal fortunes. Professor J. Laurence Laughlin, reputedly an outstanding authority on the history and principles of money, credit, etc., describing the manner in which the "industrial magnates in the Ruhr and elsewhere" enriched themselves during the inflation madness (launching "vast new construction projects"), wrote in 1924:

"To finance such an enormous expenditure the industrialists, with the authority of the [Social Democratic] Government, themselves printed unlimited sums of inconvertible paper money. . . . . The industrialists now possess a vast increase in plant and equipment, for which they paid out paper money which cost them little or nothing. The paper [money] became worthless in the hands of workmen or shopkeepers. . . . Thus a depreciating and uncertain standard was used as a means of redistributing wealth, the poor and middle classes being crushed, WHILE THE INDUSTRIALISTS EMERGED WITH MORE CAPITAL IN THE FORM OF FIXED CONSTRUCTION."

Thyssen, in his book, "I Paid Hitler," asserts that the paper currency issued amounted to approximately ninety billion marks, with a gold coverage of only around three billion marks. "In November, 1923," he wrote, "the official value of the American dollar was fixed at forty-two billion marks!"

In his essay, "The Madness of Paper Inflation," published in 1924, Professor Laughlin wrote:

"While the nominal value of the German mark at the end of the war in 1918 was about 7 cents (par 23.8), very great additions were made to the issues in 1919-1920, followed after the middle of 1922 by incredible sums, UNTIL FINALLY IN A SINGLE WEEK THE ISSUE RAN INTO THE QUINTIL-

LIONS. Consequently the value of the mark has gone down to practically nothing. . . . In a [German] restaurant the bill for a meal for two amounted to 1,500,000,000 and the tip to 400,000,000 (in all about $3). The depreciation since then makes these figures very small. BY NOVEMBER 30, 1923, THE ISSUE RAN UP TO 400-1/4 QUINTILLIONS."!!

That is inflation, and it had nothing to do with high wages nor an alleged swollen purchasing power on the part of the workers. Nor is there here the slightest resemblance to the natural effects of the working out of the law of supply and demand. For, unless it became as easy to turn out commodities as it is to print paper money (and in corresponding terms), no value relations could be maintained from hour to hour—scarcely from minute to minute!

Inflation, especially in extreme cases such as post-World War I Germany, presents capitalism in its, so to speak, *reductio ad absurdum* stage—all the inner contradictions hammering at each other, masks torn off, the topsy-turviness of capitalism brought to its craziest extremes, and inherent chaos and anarchy reaching their ultimate in utter social disintegration. And this type of inflation (when resorted to by governments) is done under the sanctity of the law, as a proper act, and on the supposition that a useful and helpful thing is done, whereas the debasing of the coin by autocratic kings is denounced as a crime, despite the fact that the latter amounts to the proverbial "chicken feed" in contrast with the huge swindle perpetrated by letting currency-printing run wild! As Karl Marx satirically put it:

"While the state is [considered] guilty of debasing gold and silver coin, and of disturbing their function of a medium of circulation, if it turns out a coin only 1/100 of a grain below its nominal weight, it [that same state] performs a perfectly proper operation by issuing absolutely worthless paper notes which contain nothing of the metal except its mint denomination!"

All this is not to say that there is now no inflationary trend, nor a danger of real inflation. There are always such trends and dangers under capitalism—they are inseparable from a social system which (at its best, and when functioning most "normally") is based on deceptions, frauds, and the wholesale expropriation of the many by the few, and which depends now entirely for its continued existence upon the ability of its beneficiaries to keep pulling the wool over the eyes of their victims—a system under which the very process of fleecing the workers is concealed by the payment of wages to them. For, while it is claimed by capitalists and their spokesmen (and, unfortunately, generally believed by the worker) that the worker's wages represent the full value of the product of his labor, the fact is that that wage is simply the price paid the worker by the capitalist for the conditional use of his labor power. And the labor power purchased by the capitalist is made to function in such a manner, and for such a length of time, as will insure to the purchaser a return that doubles or trebles the price paid for the labor—or (taking the capitalist class as a whole as purchasers of the labor power of the working class as a whole) which brings returns to the capitalist class five-, six- or sevenfold. And it is in this relation as purchasers and sellers of labor power—in the terms agreed upon, or bargained for—that we shall find the explanation for the current social convulsions, and for the present senseless talk about inflation and the explanations for the false reasons advanced for the alleged inflation.*

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*The vast increase in the production of gold (especially since the gold discoveries in California and the Klondike) produced a phenomenal rise in the price level. Inflationary in effect, it was, nevertheless, simply designated "High Cost of Living." (See "High Cost of Living," by Arnold Petersen, New York Labor News Co., 1914.)

4.

What has happened is the perfectly normal working out of the law of supply and demand under conditions that have become abnormal—abnormal even to a social system which is essentially abnormal. Since 1929 and up to the year 1940 the supply of labor far exceeded the demand for it. In other words, the labor market ("the ordinary labor market," as Mr. Walter Lippmann detachedly put it in his column, July 25, 1942) was glutted, and the commodity labor power was cheap and much of it went to waste. That is to say, wages were very low generally, and millions of workers slowly starved to death. When they complained they were told, in effect, by their employers, the capitalists, that it is really too bad, but, you know, there is that law of supply and demand—you can't get around that, can you? So sorry, there's just nothing that we can do about that. When things got real bad, with soup-lines, unemployment parades, riots and threatening revolts on the part of the workers, a section of the capitalist class decided that something just *had* to be done about this situation. Hence the "New Deal" and the Roosevelt reform program generally.

That relieved the situation a bit and for awhile, but presently things were getting just as bad or worse when (fortunately for the capitalist system) the war broke out in Europe. Many thousands of workers were reemployed, and with labor power in greater demand, the workers began clamoring for higher wages, and many strikes took place. Now that the United States is in the war, and the major industrial effort of the country is directed at war production, the demand for labor power has reached new heights. Not so long ago the National Industrial Conference Board reported that "the nation's unemployed had dwindled to 1,750,000 in April," and we are reminded by the board that "At the height of the depression 'the army of unemployed' was estimated as huge as 12,000,000 to 15,000,000." (New York *Times,* June 17, 1942.) In other words, the labor market is being drained—it has ceased to be Mr. Lippmann's "ordinary labor market." (And let us not forget that labor is bought and sold in the labor market as potatoes are bought and sold in the potato-market, and so forth.) Being in great demand, it is natural that labor should command an increased price (higher wage), and demands are, of course, made accordingly, especially in view of the fact that millions are being made by the capitalist employers.

But do the capitalists, resignedly, bow to the dictates of the sacred law of supply and demand? Do they sigh, and say to each other: The law of supply and demand, you know, you can't get around that.—No, they do not. In fact, they don't mention the sacred law at all. Instead, as we have seen, they call it inflation, and blame the "inflation," for the greater part, on labor. Their contention (false as debased currency, of course!) is twofold: In the first place, they say, we have inflated prices because high wages spell high prices. In the second place, we have inflation because the higher wages paid to many more workers have increased purchasing power greatly, and by increasing the demand in markets with shrinking supplies the prices go up.

As to the first claim: As the WEEKLY PEOPLE, and Marxists generally, have demonstrated repeatedly, high wages do not cause high prices. As John Stuart Mill (reportedly Mr. Roosevelt's favorite political economist, hailed by him as the "father of economists"!) states so succinctly in the text at the beginning of this article: "General low wages do not cause low prices, nor high wages high prices." Superficially, the individual capitalist determines the "cost" of his commodity by figuring "raw materials," "wear and tear" of machinery, etc., etc., and "labor"—i.e., wages. He thereupon adds his "profit" and sundry odd items, and he decides that this is what he would like to get for his article. Does he get it? Sometimes he does, sometimes he does not, but whatever he gets is determined *immediately* by the competition in the market, and ultimately, or in the long run, by the total quantity of socially necessary labor incorporated in the commodity. Of this socially necessary labor the part supposedly represented by the wages he paid to his worker is only a fraction of the total labor that is required to produce the article.

David Ricardo, the classical English political economist, has illustrated the point very well in the following:

"In estimating the exchangeable value of stockings, for example, we shall find that their value, comparatively with other things, depends on the total quantity of labor necessary to manufacture them and bring them to market. First, there is the labor necessary to cultivate the land on which the raw cotton is grown; secondly, the labor of conveying the cotton to the country where the stockings are to be manufactured, which includes a portion of the labor bestowed in building the ship in which it is conveyed, and which is charged in the freight of the goods; thirdly, the labor of the spinner and weaver; fourthly, a portion of the labor of the engineer, smith, and carpenter, who erected the buildings and machinery, by the help of which they are made; fifthly, the labor of the retail dealer, and of many others, whom it is unnecessary further to particularize. The aggregate sum of these various kinds of labor determines the quantity of other things for which these stockings will exchange, while the same consideration of the various quantities of labor which have been bestowed on those other things will equally govern the portion of them which will be given for the stockings."

To repeat, it is the socially necessary labor incorporated in an article (commodity) which determines its value (hence, ultimately its price), and not the wages of the very last operator. Moreover, experience and facts have shown again and again that, despite high wages, prices have fallen, and that, despite low wages, prices have risen.

To argue that because a capitalist pays so and so much in wages, and because his costs generally are so and so, wherefore he must receive such and such a price for his goods—to argue this way is, in effect, to argue that there is an economic law which decrees that a particular capitalist must necessarily survive as a capitalist! No doubt the particular capitalist would like to believe that, and pleads accordingly, but neither economic law nor capitalism as a whole takes heed of that plea! In the competitive capitalist struggle it is: Sink or swim! And it is through competition that commodities find their real value level, and whatever the price manifestation may be at particular times and under particular circumstances (the price may sometimes be above, sometimes below, the value of a commodity), in the long run differences are cancelled out, and socially necessary labor time, and not the price (wage) of labor power, is the final determinant of the commodity's value.

Unwittingly, capitalist spokesmen acknowledge the falsehood of the claim that wages determine prices. A case in point is the New York *Times* editorial of July 20, 1942. Here we are told (apropos of the reason for much unemployment in New York) that "the slack in the garment industry (is) occasioned by the fact that most of the early contracts for uniforms for our fighting men were placed outside New York *because of lower bids made possible by lower wages in cities where cheaper living conditions prevailed.*" In other words, here it is argued that wages were low because prices generally were low—or, again, wages are based on the cost of living, from which it logically follows that wages cannot determine prices! To argue that wages govern prices is to argue that price governs or regulates price, which is a meaningless tautology. Wages are nothing but the price paid the worker by the capitalist for the use of his (the worker's) labor power, and wages are generally, as we have seen, conditioned by the cost of living. Obviously, *the conditioned* cannot govern or determine *that which conditions!*

What does happen when wages rise (and that's what hurts, and that's what is causing all this howling about inflation—all this lamentation about high wages, etc.)—what happens is that profits are reduced when wages go up, as John Stuart Mill shrewdly points out when he says that, when labor gets higher wages, "a smaller percentage must remain for profit." This is so elementary as to cause one to marvel that it is not being readily perceived and admitted. On the other hand, it would not be good policy to admit it, and the proverbial gold coin of material interest is a pretty thick substance through which to see even the plainest truth, to paraphrase Abraham Lincoln!*

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*It would be interesting to follow, from their false premises to their inescapable conclusions, the logic of the capitalist apologists. For instance, if it be true that wages determine price and value, then it follows that these capitalist spokesmen admit that labor alone produces value! In other words, it is argued that high wages affect the value and price of commodities; high profits admittedly do not. Hence, the alleged part capitalists play in production is admitted to be unrelated to values created; it is further admitted that labor's "part" *alone* is related to values created. *Ergo,* labor admittedly produces all social wealth, the capitalists admittedly producing nothing. *Summa summarum,* the capitalist is a parasite, an encumbrance in the productive process! Which horn of the dilemma will Mr. capitalist apologist choose?

5.

As to the second claim: It is argued that the "swollen" purchasing power of the workers in a market of diminishing goods creates inflation. We have already dealt with this in the main. It is undoubtedly true that there is an increased purchasing power; it is undoubtedly true that because of war production, general commodity production is therefore curtailed. But it is not true—indeed, it is outrageously false, that this situation causes inflation. As we have seen, it does nothing of the kind. Granted that there is an upward trend in prices, that fact in itself will discourage buying, despite a somewhat increased purchasing power on the part of the workers. And as to that "increased purchasing power," its magnitude, and the nature of it, is "slightly exaggerated."

In the first place, wages have not increased per worker to the extent of causing the individual workers to go on a buying spree. In the second place, the increased purchasing power is largely accounted for by the fact that there are at least from 10,000,000 to 12,000,000 more buyers than there were a few years ago when these millions were unemployed. Are the capitalist exploiters and their spokesmen perchance suggesting that the purchasing power of 43,000,000 workers employed two or three years ago is to be spread to cover the present 53,000,000 employed workers? Yes, come to think of it, that is precisely what they are suggesting! And thus stand exposed the humbug and fraud of the preposterous inflation claim!

But that is not all. We have official authority for the fact that the workers who are enjoying a higher income now do not spend all their "excess" earnings. Secretary of Labor Perkins is reported in the New York *Times* of August 2, 1942, to have declared that out of increases received by the workers, 66 per cent is put away as savings. As the *Times* has it:

"Such wartime inflation as may now exist or such as might develop later on will not be the result of a spending spree by American labor, according to a report issued today by Secretary Perkins. The figures are based on a sample survey of the incomes and expenditures of city families."

And the *Times* report continued:

"The average income of city dwellers rose more than 7 per cent in the first quarter of 1942 over the corresponding three months in the preceding year, Miss Perkins noted, but 'average expenses for current consumption' increased only 2 per cent, while the cost of living rose 8 per cent.

"At the same time there was a rise of about 70 per cent in savings. Even families who reported no change in incomes saved half again as much as in an average quarter of 1941; families with marked income gains saved about 57 per cent of the increase. The general rise in savings was so great, Miss Perkins found, that it actually represented in the aggregate two-thirds of the total increase in consumer incomes."

Many additional figures and facts are adduced by Miss Perkins that demonstrate, not a spending spree, but an attempt on the part of the "substandard" workers to maintain themselves on a level of ordinary decency, even though that level still is far below what it should be in a rich country which makes such great claims as regards its standard of living and superior "way of life."

Thus the second claim is exploded and refuted.*

But who is it that makes this great outcry against the American workers? Who is it that is shocked at the "swollen" incomes of the workers, and who trembles at the prospect of "inflation" allegedly caused by the workers? They are the poor wretches whose annual incomes range from a measly $10,000 or so, to the miserable pittance of $537,000! There is Dorothy Thompson, for instance, like a chattering magpie viciously yapping in the *Ladies Home Journal* for August that the government "has not gone far enough yet in putting ceilings over prices, *and it cannot go far enough until it is willing to control wages more than it has done so far.*"** Will the gentle Lady Chatterbox agree to

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*Reference here made to saving by the workers is not to be construed as concurring in the false pleas that the working class, by "saving" out of hard-earned wages, is able to improve its condition, or effect its salvation. In that respect the Marxist feels much as did the colored lady who applied to a certain lady for a position as a cook. She claimed she was a good cook, and that she really did not have to work because her husband had a good job, earning $40 per week. So, being a good cook, and since she did not *have* to work, she could afford to be independent, and, therefore, she demanded $90 a month. The lady who needed a cook suggested that with such incomes the cook and her husband ought to be able to save a lot of money, whereupon the colored lady indignantly exclaimed: "No, ma'am, we don't waste none of *our* money saving it!"

If inflation is coming anyway, saving would indeed be wasting one's money!

**The euphemism, "control wages," does not conceal the fact that *reduction of wages* is meant—reduction, relatively or absolutely. But, however much the capitalist class and its spokesmen and henchmen may have her "wages" of some $50,000 or $100,000 "ceilinged" at, say, $5,000 or so? Or will she keep her tongue from wagging about things concerning which in all decency she should keep silent? Then there is the chairman of the board of the National Association of Manufacturers, Walter D. Fuller, who in a Chautauqua address delivered on August 7 plaintively declared that "Inflation is as much our enemy as Hitler or Hirohito [what's the matter with Bulgy Benito, and his more or less silent partner, the Pope, Mr. Fuller?]." The no doubt half-starved Mr. Fuller whines:

"When blanket wage increases are demanded, that is a demand for a special exemption from the decline in the standard of living—the cost of this war—*at the expense of everyone else.* Is any group entitled to such an exemption? . . . Aren't we all in the same boat, *sacrificing alike for victory and ready to share alike in the glory of success.*" (Italics mine.)

One stands aghast in the presence of such brazen insolence, such impudent ruling class arrogance. Mr. Fuller's annual income is not given, but it is safe to assume that it is not less than $50,000, and probably much more. According to figures compiled by the Brookings Institution, 99 per cent of the American families had incomes of less than $2,500 per year. The income of one-tenth of one per cent of families at the top equalled the income of 42 per cent of families at the bottom!

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agitate for lower wages, the reality of the situation cannot be escaped, viz., the workers *must* be paid at least enough to maintain themselves in fit working condition, and they must be supplied with at least the bare necessities of life to enable them to live, and to keep their families alive, in order to insure a continued supply of labor power. Which, after all, is all that the working class (on the average, and in the long run) ever gets as wage slaves under capitalism.

Who, then, is "every one else" at whose expense wage increases would be made? You guessed it—"every one else" is the gang of financial and industrial pirates represented or included in the one percent! 'Aren't we all sacrificing alike?" Mr. Fuller unctuously asks.

Aren't we, though! No doubt Mr. Fuller has given up his Long Island or Westchester feudal estate (or wherever it may be located) and moved into a modest Park Avenue apartment with only a dozen rooms or so, and a mere half dozen servants and lackeys! Oh yes, *indeed,* we are sacrificing! And there are the poor unfortunates such as Louis B. Mayer of Loew's Inc., who is sacrificing at the restricted annual income of $704,426; Eugene G. Grace of Bethlehem Steel who sacrificed by accepting the pittance of $537,724 for the year of 1941; and there is that underpaid Steel Czar (of Republic Steel, and of bloody Memorial Day memory), Tom Girdler, having to be content with only $275,000 in 1941; and just as nobly sacrificing was W. L. Farish (of Standard Oil, and of recent Nazi—"I. G. Farben"—deal memory) who only pocketed $229,212 that same year—scarcely enough to keep the Nazi wolf and Uncle Sam's F.B.I. men from the door! And then there's that breadline string of substandard plutes who sacrificed at outrageously low incomes ranging from $197,000 to the pitiful crumb of $86,000! Aren't we sacrificing?*

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*For the record (and because it is quite apropos), a portion of the editorial printed in the *Daily News* (N.Y.) of August 12, 1942, is worth reproducing:

"SEC. KNOX AT VALLEY FORGE.

"Secretary of the Navy Frank Knox tells a crowd of Kearny, N.J., shipyard workers that Valley Forges lie ahead for this nation but that eventually we shall win through to Yorktown.....

"Sec. Knox's own personal Valley Forge would appear to be at least

And yet, despite the noble, patriotic example set by these starved, and semi-starved plutes, workers have the phenomenal gall to demand such "inflated" incomes as would result from increasing their wages by the dizzying figure of 44 cents per day, for instance, as was done in the case of the "Little Steel" workers! The New York *Times* shudders as it reflects on the ruinous result of applying the "Little Steel" increase to all wages, for—hold your breath!—to do so would add "well under 1 1/2 per cent to the present national wage bill." "One-and-one-half per cent"—spell it out, so that this ominous prospect may be perceived in all its ghastly iniquity!

Surely, the New York *Herald Tribune* is right when it insists that to swell the already swollen incomes of the workers (averaging at the present "peak," say, $1,500 per year) by adding annually the astronomical figure of approximately $135—surely the *Tribune* is right when it insists that there "must be some form of wage control by legislation," adding (referring to President Roosevelt) that "He can't get too tough too soon." If Mr. Roosevelt follows the example of his predecessors, he may be trusted to get plenty "tough"!

The decadence of a ruling class may be measured by its brutal disregard of the human factor (specifically its direct victims), and its brazen, unveiled class arrogance. And by the same tokens may be estimated its

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bearable. He is drawing $15,000 a year from the Government for being Secretary of the Navy, and $60,000 a year for 'advising' the Chicago *Daily News*. Valley Forge on those terms should not be too tough."

This is true-talk, but why should the pot call the kettle black? Messrs. J. M. Patterson and R. R. McCormick (President and Treasurer, respectively, of the *Daily News*) are in the income class (if not above) of the gentleman at whom they are sniping. Surely, "Valley Forge" will turn out to be a grand picnic to all these great patriots!

ripeness for liquidation as a ruling class. It won't be long now, mesdames and messieurs of the international plutocratic plunderbund!

6.

The claim that increased wages are the cause of inflation stands exposed as the impudent, brazen propaganda of a bankrupt ruling class which not only has been rendered socially useless and bankrupt, but which also has become a serious encumbrance to social and economic progress. The term "propaganda" is used advisedly, for it is precisely that. And the real object of the propaganda—carried on under cover of war exigencies—is nothing less than to encompass the complete *deflation of labor*. And the first step in that direction is the freezing of wages, which eventually will lead to the freezing of labor as a helot class—as a class of economic serfs, handed their bare necessities of life, as slaves are fed by the masters who own them. Not the fear of inflation disturbs the tranquillity of the plutocracy seriously, but the prospect of failure in their attempt to deflate labor, failure to reduce the workers to that status of economic serfdom. For the ruling class to fail in this respect now—while the war offers an unparalleled opportunity permanently to enslave the working class — would, indeed, be to face complete liquidation. The fact is stated as bluntly as that in the secluded financial pages of the capitalist press, as, for instance, when a financial writer of the New York *Herald Tribune,* August 3, 1942, states (referring to the "war finance program") that "it [the "program"] is continuing the liquidation of the capitalist class. . . ."

However, though the "war finance program" may initiate "the liquidation of the capitalist class," it will be the working class, politically and industrially organized, that will complete it. And thus it may turn out that that which commenced as an underhanded attempt utterly to deflate labor, to the accompaniment of the brazenly false cry of "inflation," may terminate (sooner than we expect) as the social and economic deflation (or "liquidation") of the capitalist class and of the capitalist robber system.*

For, organized on sound lines, in keeping with their class interests—organized politically in the Socialist Labor Party, and industrially in Socialist Industrial Unions—the workers can rescue civilization from destruction, and constitute society on a new, higher level of civilization wherein exploitation, crimes, poverty, preventable diseases and WAR will be unknown. It will be a society of freemen, based on equality and plenty for all. Instead of devoting the productive labor and the genius of the race to destructive purposes, that genius will be applied to socially constructive purposes —to purposes that will serve the ends of social justice and the ennobling endeavors of a sane and soundly constituted brotherhood of man. It was the great German, Karl Marx, who formulated the scientific constitution for this projected society of freemen, and it was the great American, Daniel De Leon, who worked out the specific social architecture of that society. Yet, even

*Apropos of liquidation of the capitalist class (and the capitalist system), it is of interest to recall what Mr. Walter Lippmann said in his column dated June 22, 1940: "....It will, nevertheless, be a fact—and this is one of the most momentous facts of modern industry—that the capitalist system of private property....has come to an end in every industrial nation on the face of the globe, excepting only in the United States." Patience, Walter, all things come to him who waits!

before the geniuses of Marx and De Leon made those great contributions to civilization and man's progress, an Englishman, John Stuart Mill, with what might have been poetic prescience, expressed our idea of that society in words that we could well make our own. Discussing the "Probable future of the Laboring classes," Mill said (nearly one hundred years ago):

"The form of association, however, which, if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and workpeople without a voice in the management, but the association of the laborers themselves on terms of equality, collectively owning the capital [i.e., land, mines, plants, tools of production, etc.] with which they carry on their operations, and working under managers elected and removable by themselves."*

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*At critical social junctures, with fundamental changes pending as regards the social structures and governmental constitutions, there is perceived the "shape of things to come"—it is in the air, so to speak. An interesting example is a recent utterance by an otherwise conservative writer, Wm. Hard, irrevocably committed to the preservation of capitalism. This notwithstanding, he stated in the *Readers Digest* of January, 1942:

"We give a man *political* democracy. We allow him, through elected representatives, to express himself on police departments, fire departments, roads, schools, and even on tariff duties and the nation's monetary system. Is he not then going to want to express himself, through elected representatives, on wage rates, working hours, seniority systems, apprenticeship systems, speedup systems, production standards, safety appliances? Of course he is.

"Having breathed the air of political representation, he wants to breathe the air of economic representation. Being a citizen in the remote matters of the national capital, he wants to be a citizen in the immediate matters of the shop in which he works. The democratic process is in his blood. It seeks expression not only in some of his veins but in all of them. He wants to be a whole citizen." (Italics mine.)

If Mr. Hard only knew how truly and well he had spoken, even though he erroneously and illogically assumed complete industrial "citizenship" compatible with capitalism!

Industrial self-government, based on the cooperative efforts of all useful workers, and conducted in that spirit of harmony made possible by the absence of class property, class greed and class egoism, must be—and surely *will* be — the next order of society now being foreshadowed through the profound changes wrought in the social structure, in social thinking, in the emergence of an international community and the fact of national interdependence—wrought under the stress and in the great agony of the, at present, uncontrollable, globe-encircling war.

The people who labor for wages the world over are carrying the burdens of civilization, bearing the brunt of war and disaster, and, however blindly groping at present, it is they, and they alone whose hopes and ideals and class interests reach into the golden sky of the future.

And that future belongs to the working people of the world—to the workers of all lands, of all races and of all creeds. One in sorrow and suffering now, they will be one in triumph and happiness in all the days to come!

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